

Message Text

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PAGE 01 PRETOR 00096 090953Z

14

ACTION MMS-03

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R 090905Z JAN 74

FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC 9138
INFO AMEMBASSY KINSHASA
AMEMBASSY LAGOS
AMEMBASSY MONROVIA
AMEMBASSY NAIROBI
AMCONSUL CAPE TOWN
AMCONSUL DURBAN
AMCONSUL JOHANNESBURG

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E. O. 11652: N/A

TAGS: OGEN, CASC, SF

SUBJECT: OPRED - PROPOSAL TO EXPAND OVERSEAS STAFF OF INTERNAL
REVENUE SERVICE

REF: STATE 246524

1. EMBASSY MUST DEFER TO IRS FOR ASSESSMENT NEED PROVIDE MORE
COMPREHENSIVE SERVICE TO TAXPAYERS AND TO INSURE COMPLIANCE IN
THIS GEOGRAPHIC AREA. BELIEVE, HOWEVER, FOLLOWING SHOULD BE
WEIGHTED BEFORE FINAL DECISION*EXPAND AMERICAN OFFICIAL PRESENCE
IN SOUTH AFRICA AS PROPOSED.

2. AS NOTED REFTTEL, MAJORITY US RESIDENTS IN REGION TO BE
SERVED PROBABLY IN REPUBLIC SA. ALTHOUGH EMBASSY NOT REALLY
QUALIFIED EVALUATE POTENTIAL FOR INCREASED COLLECTION, IRS
MAY WISH REVIEW PROFILE OF RESIDENT GROUP FOR CHARACTERISTICS
BEARING ON POSSIBILITY OF SIGNIFICANT UNDER COLLECTION. TOTAL
NUMBER OF NON-OFFICIAL RESIDENTS PER LATEST REPORTS IS ABOUT
5500 OF WHOM ONLY ABOUT 1100 ARE BUSINESSMEN. STUDENTS NUMBER
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PAGE 02 PRETOR 00096 090953Z

277 AND MISSIONARIES AND CLERGY 446. DEPENDENTS OF BUSINESS*-

MEN AND OTHER FOREGOING ARE 2146. ALL OTHERS INCLUDING DEPENDENTS TOTAL ABOUT 1500. IN THE SLIGHTLY OVER 300 US FIRMS WITH SA INCORPORATED SUBSIDIARIES OR BRANCHES IN SA, AMERICAN STAFF TEND BE LIMITED TOP MANAGEMENT (MANY HAVE SA OR OTHER FOREIGN MANAGERS) AND A FEW SPECIALISTS. SUBSTANTIAL NUMBER AMERICAN RESIDENTS THUS CAREER EXECUTIVES OR CONTRACTED PROFESSIONALS WHO EXPECT RETURN TO US IN 3 TO 5 YEARS AND PRESUMABLY LESS LIKELY RISK TAX IRREGULARITIES. MISSIONARY AND STUDENT GROUPS ARE GENERALLY LOW INCOME. A SUBSTANTIAL NUMBER OF OTHER GROUPS ARE RETIREES. THERE ARE SOME LONG TIME RESIDENTS ENGAGED IN INDEPENDENT BUSINESS.

3. NOTE ALSO THERE IS DOUBLE TAXATION AGREEMENT BETWEEN SA AND US. TO BEST EMBASSY KNOWLEDGE PROBLEMS INVOLVING APPLICATION OF FOREIGN TAX LAWS TO US CITIZENS HAVE BEEN MINIMAL AND ARE ADDRESSED THROUGH AVAILABLE LEGAL AND ADMINISTRATIVE PROCEDURES.

4. BEGINNING AT THIS TIME OF YEAR, CONSULAR OFFICERS DO RECEIVE NUMEROUS INQUIRIES FOR US INCOME TAX MATERIALS. CAPE TOWN AND DURBAN REPORT MODERATE NUMBER OF INQUIRIES TO WHICH THEY RESPOND USING IRS MATERIALS OR PROVIDING ADDRESS OF IRS IN CASE OF QUESTIONS WHICH CANNOT BE ANSWERED LOCALLY. PRETORIA HAS ORGANIZED DISPLAY OF MATERIALS PROVIDED BY IRS INCLUDING FORMS AND GUIDES - BOTH OFFICIAL AND COMMERCIAL. ON WHOLE THESE APPEAR MEET NEEDS MOST INQUIRIES EXCEPT IN JOHANNESBURG. JOHANNESBURG REPORTS A CONSIDERABLY LARGER NUMBER OF INQUIRIES FROM DECEMBER TO APRIL AND FREQUENT INQUIRIES DURING REST OF YEAR AND NOTED THAT IN MANY CASES INQUIRIES ARE MORE COMPLEX THAN CAN BE RESOLVED BY SUPPLY OF FORMS AND INSTRUCTIONS. IN THESE CASES, CONGEN DIRECTS THE INDIVIDUAL TO ARTHUR ANDERSON AND COMPANY WHICH HAS BEEN APPROVED BY IRS ROME FOR REFERRAL.

5. WOULD OBVIOUSLY BE PREFERABLE FOR SUCH AN OFFICE TO BE PHYSICALLY LOCATED ON MISSION PREMISES; HOWEVER, NEITHER CONGEN JOHANNESBURG NOR EMBASSY PRETORIA (NOR FOR THAT MATTER, CAPE TOWN OR DURBAN) HAVE ANY ROOM ANY SPACE AVAILABLE. BOTH OCCUPY PARTS OF LARGE OFFICE BUILDINGS WITH ALL SPACE IN USE AND NO POTENTIAL FOR EXPANSION AT EXISTING SITES. AN IRS OFFICE WOULD REQUIRE SEPARATE LEASED SPACE. AT PRESENT RATES, ESTIMATE APPROXIMATELY \$10,000 ANNUALLY FOR 900 SQ. FEET IN LIMITED OFFICIAL USE

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PAGE 03 PRETOR 00096 090953Z

INCLUDING UTILITIES. ESTIMATE ALSO \$8,000 ANNUALLY PER FAMILY RESIDENCE, AND \$3,500 FOR SINGLE STAFF MEMBER, INCLUDING MAINTENANCE AND UTILITIES. ADDITIONALLY, WOULD REQUIRE FURNITURE AND APPLIANCES, NONE OF WHICH AVAILABLE FROM MISSION STOCKS. DEPT. AND IRS IN POSITION ESTIMATE SAS COSTS FOR ADMINISTERING SUPPORT SERVICES. IN GENERAL, MISSION SUPPORT CAPABILITY HEAVILY OCCUPIED ALTHOUGH WOULD ACCOMMODATE THIS ADDITIONAL IF NECESSARY.

6. FINALLY, THERE IS ALWAYS PRESENT FACTOR OF SENSITIVITY TO SIZE AND NATURE OF AMERICAN OFFICIAL PRESENCE IN SOUTH AFRICA WITH POSSIBLE MISINTERPRETATION OF ADDITIONS THERETO. IT NOT INCONCEIVABLE THAT IN THE EXTREME FOCUS ON SA PROBLEMS SOME CRITICS WOULD SEE PROVISION OF TAX SERVICE TO BUSINESS COMMUNITY HERE AS A DECISION TO BOLSTER THE AMERICAN BUSINESS PRESENCE IN SOUTH AFRICA BEYOND OUR PRESENT POLICY RESTRAINTS. A COROLLARY IS POTENTIAL PROBLEM IN TRAVEL AND ACTIVITY IN BLACK AFRICAN STATES FROM SA BASE. WE DO NOT RPT NOT WISH OVERSTRESS THIS ASPECT AT EXPENSE OF DOING ANY REASONABLE AND NECESSARY BUSINESS OF THE US GOVERNMENT BUT DO WISH TO FLAG IT FOR FURTHER CONSIDERATION IN REACHING A FINAL DECISION.

7. WE DO NOT IMMEDIATELY ANTICIPATE ANY HOST GOVERNMENT OBJECTION; HOWEVER, WE HAVE HELD OFF DISCUSSION PENDIN* CONSIDERATION OF OUR COMMENTS AND ADVICE AS TO WASHINGTON VIEWS AND DECISION.
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